



Rental Housing Co-operative Unit.
Ministry of Housing. Housing Services Division.

Background to the Rental Housing Co-operative programme.

Information sheet No.1

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The aims of the Rental Housing Co-operative programme are:

- (1) To devolve full management control over public housing to the tenant occupiers;
- (2) Provide the advantages of home ownership to those on low incomes who cannot afford access to ownership;
- (3) To develop an alternative form of public housing which is diverse and responsive to local needs.

Nine groups of tenants in areas from Footscray to Mornington have been chosen by the Ministry to be funded as rental co-ops.

A pilot project co-op in Camberwell purely for the disabled is also undergoing evaluation.

Contacts and addresses of existing RHC's are at the rear of this Information Sheet.

What is a rental housing co-operative?

Rental housing co-operatives (RHCs) are self-directing, non-profit, legal entities whose tenant members collectively manage leased, public housing within a local community.

Victorian rental co-ops set up so far involve community groups applying to lease housing through the Ministry of Housing. On condition that the group house only low income earners eligible for normal public rental housing, the Ministry will lease up to 70 houses scattered throughout an area nominated by the group.

An RHC is a means of devolving full management control over public housing into the hands of tenants themselves. Legally, tenants can gain collective control over their housing by registering as a co-operative under the Co-operation Act, or as a non-profit company under the Companies Act.

A co-op or company structure provides the necessary legal framework for:

- . the leasing of housing on a group basis. The group also gains incorporated status - in particular, limited liability.
- . ensuring decision-making is democratic. Under model rules developed for RHCs, tenants become the co-op's members, each with an equal right to vote at the general monthly meeting which is the governing body and policy-making forum for an RHC.
- . financial accountability. Legislation requires that a co-op's accounts are audited annually.

Once the tenant or community group registers as a co-op, the Ministry passes over management control in the areas of selection of housing and tenant members, rent collection and expenditure, provision of maintenance, administration and staffing.

As tenants pay their rent direct to the co-op, R.H.C.s can usually cover their own operating costs from the rent income received when they have between 35 to 50 houses. Rent is based on a person's ability to pay.

Rental co-ops depend for their healthy operation on the active participation of tenant members. In the establishment phase particularly, ready access is needed to advice in the "special skills" areas of law, accounting, building and community development.

Each co-op has a paid housing worker who is selected by the members and receives directions from the general monthly meeting. The worker's role generally includes encouraging tenant involvement; running the co-op office; co-ordinating

basic administration; and linking with other co-ops to work out joint policies and campaigns.

What is meant by "full management control"?

In a rental co-op, the tenant members are their own landlord. Their autonomy means they can guarantee their own security of tenure and standard of housing, including the right to decorate.

Tenant members control every aspect of their housing, subsequent to purchasing/renovation or construction by the Ministry and handover to the RHC:

- . type of housing selected. The submitting group has to decide whether it wants to purchase houses on the open market, construct, use existing Ministry housing, enter leasing arrangements with other bodies (e.g. churches, local councils) or a mixture of all of these! The feasibility of any scheme devised would need to be investigated by the group.
- . tenant selection. An RHC is responsible for selecting its own tenant members so long as they are eligible for Ministry of Housing assistance and the selection system used is primarily needs based.
- . maintenance. Paid for and co-ordinated by the RHC, usually through a maintenance committee which employs local tradesmen much the same as any homeowner would.
- . rent assessment and collection. Tenant members pay this direct into the RHC's bank account. Rent assessment must be income related, based on a level of 20-25 per cent of gross household income.

- . lease conditions. An RHC has the power to develop its own lease conditions between a tenant member and the co-op. At the very least, the lease should guarantee security of tenure and could include rights to decorate and to privacy.
- . administration. Administrative tasks include encouraging tenant participation, convening committee and general meetings, taking and distributing minutes to members, liaising with the Ministry. Much of this can be undertaken by a housing worker. The administrative burden is shared more evenly where committees exist to make recommendations to general meetings.
- . finance. As an RHC is responsible for determining how rent income is spent budget projections need to be drafted to determine priorities of expenditure. RHCs are required to keep a double entry accounting system.
- . legal requirements. RHCs have to either register as a co-operative or incorporate as a non-profit company, and are required by law to make annual audited returns, run meetings democratically and keep proper minutes recording all decision-making.

As the Ministry pays both the purchase price and covers any renovation costs, ownership of a RHC's housing stock remains vested with the Ministry of Housing.

To ensure managerial independence, however, a headlease is drawn up between the RHC and the Ministry of Housing once the co-op is self-sufficient. Under the terms of this headlease, the Ministry agrees to grant full management

control over specified housing for a long term period (that is, between 12 to 21 years) provided

- (a) the RHC fulfils certain minimum conditions of maintaining the houses at a good standard;
- (b) conforms with an agreed tenant selection process;
- (c) complies with an agreed rent formula;
- (d) undertakes to return any rent income surplus over operating costs to the Ministry.

In the headlease negotiations with the FCRHA, the Ministry has agreed to a proposal where any savings made by the FCRHA within an agreed annual budget projection are to be retained by the Association for improvements to the housing leased or for the benefit of the whole membership.

What are the existing co-ops like?

The initiative for setting up the pilot rental co-op, the Fitzroy/Collingwood Rental Housing Association (FCRHA) came from the local community. An interim management committee made up of local representatives from municipal councils and professionals with skills in law, finance, social work and building met for two years before making a detailed submission to the Ministry of Housing in 1977.

Set up as a three year pilot project, the FCRHA was evaluated by a team from Melbourne University. When it concluded that the FCRHA passed all three tests set by the Housing Commission, the Ministry moved to clone the model.

Basically, the FCRHA evaluation demonstrated that tenant management brought satisfaction, and efficient and enthusiastic management. Most importantly to the Ministry of Housing, when it only had 26 houses the FCRHA's cost efficiency equalled that of conventional Ministry medium-density estates in the same area.

Since 1981, the Ministry has set up nine RHCs in the areas of Mornington, Williamstown, Carlton, Brunswick/Coburg, Camberwell, Footscray, Frankston, Northcote, and Moorabbin.

These will be built up to at least 50 houses, although the Camberwell pilot project is still being evaluated. The FCRHA already has over 50 houses and two rooming houses.

The Ministry has initiated one RHC itself as part of a rehabilitation programme in the inner Melbourne suburb of Carlton. Ministry tenants in scattered housing were approached to see if they wanted to join an RHC. The other RHCs were initiated by tenant action groups, community groups (such as Regional Housing Councils) or through the auspice of local councils.

While based on the same model, each of these rental co-ops has fleshed out the framework in a different way. One of the great strengths of co-operative management is its flexibility to respond to local needs. Essentially, a co-op is what its members make it.

So, for instance, in Williamstown, the rental co-op runs handyman classes in conjunction with the local tech. The tenant members are gaining skills useful for maintaining their houses. In order to put the skills learned to work, the RHC has also started a tool library.

In Mornington, the co-op has taken out a two year lease over several, vacant Council-owned houses, which the Council has purchased preparatory to building a by-pass road some time in the future.

The drastic decline of rooming houses in Fitzroy has led the co-op in that suburb to respond to the local need by taking on the management of two rooming houses.

Four of the co-ops plan to set aside 10 per cent of their housing for disabled people. Another co-op has decided to diversify its racial background to reflect more closely the nature of its local community. Brunswick/Coburg RHC has changed its name to STAYE Co-op - STAYE stands for Spanish, Turkish, Australian, Yugoslav and everyone else.

Together, the existing rental co-ops planned a National Co-operative Housing Conference in mid-June and have made video. The forum for this joint action is the Rental Housing Co-operative Advice Service (CHAS), a registered co-operative whose membership is made up from the existing RHC's and other interested people.

What are the advantages of a rental co-op?

Security of tenure

RHC members as a whole both frame and supervise their own lease conditions. They need not fear the threat of eviction nor tolerate harassment. Through tenant control, RHC members are in charge of their own security of tenure in much the same way as a homeowner. For low income people, there is the added security of not having to worry about defaulting on mortgage repayments, as homeowners sometimes do. As with public housing in general, rent in an RHC varies according to income.

Control

An RHC is what its members choose to make it. An RHC is given the power to control its own destiny, rather than having to abide by an exhaustive set of rules drafted by either a public or private landlord. The housing worker is an employee of the co-op, and accountable to its members, not the Ministry. The amount spent on maintenance, office costs or printing a pamphlet is left to the co-op to determine. Whether or not tenants can wallpaper their houses is up to the co-op to decide.

Self-Esteem

The FCRHA evaluation also showed that the nature of rental co-ops boosts the self-esteem of members. Even where tenants were not greatly involved in management, they appreciated the trust placed in them and the right to have a say. As an American co-op member has eloquently put it, rental co-ops provide a "context for human dignity".

Efficiency

High tenant satisfaction, motivation and increased self-sufficiency and self-esteem add up to a group of tenants who care about their houses. Tenant control over when maintenance is done ensures speed and flexibility in the carrying out of maintenance works. Tenants and housing workers in all RHCs identify with the RHCs as their creation, resulting in the development of a high commitment. The centralised management of public housing has led in the past to problems particularly in the areas of anti-social behaviour, rent collection and maintenance. Current experience demonstrates that the RHCs handle these areas responsibly.

Community

Home ownership is based on individual self-reliance. RHCs are based on the creation of links between people which leads to the building of a supportive community. This facet of an RHC is particularly important to groups who need networks of support such as single parents, the disabled and special interest groups seeking to create a sense of community.

Where does the money come from?

Capital funding for 50-70 houses is paid for by the Ministry. Any initial renovation needed to bring the houses up to a suitable standard after purchase is also paid for by the Ministry.

Subsequent to handover of housing purchased/constructed/rehabilitated, an RHC is expected to cover all operating costs, including any maintenance, out of rent income. Rent charged must be related to income, based on a formula of approximately 20 per cent of gross household income. Other operating costs which need to be met from rent income include the salary of a housing worker (Australian Social Welfare Union, Qualified Welfare Worker, Class III), office rent, administrative costs (stationery, photocopying, postage, phone), furniture (desk, typewriter, filing cabinet, chairs) printing and advertising.

In the initial three to five year period, the Ministry provides administrative subsidies until an RHC can cover its own running costs. To gain a subsidy an RHC is required to submit regular budget projections which form the basis of negotiation.

Once an RHC reaches about 35 houses, the rent income generated should meet all operating costs. At this point RHCs are still expected to work within mutually agreed, annual budget projections, as any surplus made above budgeted operating costs must be returned to the Ministry.

The more houses an RHC has, the greater the economies of scale. Overseas experience would seem to indicate, however, that to retain their personalised nature, RHCs should not have more than 100 houses and should confine that housing within the boundaries of a defined community.

Current experience in Victoria would seem to demonstrate that an RHC with one housing worker cannot be expected to efficiently administer more than 70 houses.

Who can be housed by a rental co-op?

The Ministry is concerned that those selected should fit within its need-based eligibility criteria and that priority be given to those applicants already on the waiting list, where a list already exists for that area.

When they first begin, all RHCs are asked to write to those on top of the waiting list in their areas, offering them an opportunity to apply for housing with the RHC.

RHCs funded by the Ministry form part of public housing, and as such must be accessible only to those low income groups which the Ministry regards as its clientele.

Responsibility for tenant selection rests with an RHC, but these guidelines must be followed:-

- . all applicants must fall within the Ministry's income eligibility criteria. The cut off point is \$330 gross household income per week, with the limit varying according to the number of children in a household.
- . a two stage process must be used in selecting tenant members from eligible applicants:
 - (a) to cull down applicants to a manageable number for interviewing, an RHC has to develop a needs based points system taking into account income earned, current housing conditions, ties to the area and special factors (e.g. weighting for disabled, single parent, youth, etc.).

- (b) applicants who score the highest on the basis of need can then be interviewed by the RHC's tenant selection committees in an attempt to determine their co-operability. Assessing whether or not a person will benefit from a co-operative is a subjective process which should be kept separate from the first stage of objectively assessing need.

In the establishment phase when there are few prospective tenants involved, the dilemma which has to be faced is this: on what basis and who will select the first few tenant member households?

This problem is magnified by the need to have a core of tenant members at the start who are both active and understand what the RHC is about.

So long as they fall within income eligibility criteria, an RHC's first five households can be chosen by the interim management committee on the basis of their understanding of co-operative management techniques and help in creating the co-op model. After the first five households are selected, the two stage selection process already described must be applied.

To date, the RHCs have been encouraged to provide housing for families with children. This is the area where the Ministry believes there is the greatest need.

Special interest groups such as the disabled, youth and single people can be catered for, but the submitting groups would have to demonstrate the relevance of co-operative management to the group.-

Further, the amount of housing allocated to special interest groups should be in proportion to their need for housing within the area chosen by a submitting group.

How do you start a rental co-op?

One or two individuals do not a co-operative make. Individuals have initiated co-ops, but usually through the auspice of a tenant or community group.

For instance, Footscray, Brunswick/Coburg, Williamstown and Northcote co-ops were initiated through Regional Housing Councils.

The Fitzroy Collingwood co-op had the backing of community housing group Shelter.

Frankston and Mornington co-ops were a project of local tenant action groups.

The Moorabbin RHC started with people from a women's refuge.

The Camberwell co-op for disabled formed a group, the Camberwell Independent Living Association, which brought together workers in the field, the disabled and their parents.

To attract members to the interim management committee, articles in the local paper or a public meeting could be used to create interest.

Publicised, regular meetings at regular times help make any group formed open to input from new people.

Contact can be made with people who are in housing need by asking the Ministry to write to those on the top of the waiting list for the area chosen. Local agencies and housing workers should also know of such people.

The interim group may draw community people with special skills to help create the co-op model. For example, like the Fitzroy Collingwood Rental Housing Association, the group might deliberately invite a lawyer, an accountant, a builder or a community worker to become members.

In the newer co-ops, the commitment to tenant member control has been taken to the point where tenants alone have voting rights. Community representatives who help initiate the co-op play only an advisory role.

Local councils have played an important supportive role in starting and then sustaining RHCs. Councils have provided resources such as meeting rooms and photocopying facilities.

Councillors and council staff have also become involved in initiating co-ops. Over half the existing RHCs have established offices in council-owned premises.

In starting a co-op, it should be borne in mind that those participating will need to discuss thoroughly what they want from the co-op, so as confusion and conflict do not arise over the goals of the co-op.

Further, as most people in today's society have no experience of working co-operatively, they will need time and training before they can be expected to learn how to work together.

Who does all the work?

Co-operatives should arrange their decision-making and management structure in such a way that it maximises access and the potential for participation.

Policy decision making should be the responsibility of the membership as a whole through the general monthly meetings. Everyone should be encouraged to come to these meetings, so as decisions reflect the wishes of all the members not just an active core group.

To ensure everyone is kept informed, minutes of general meetings should be circulated to all.

Unless general meetings are to go all night, a series of committees are needed. There is a danger here that committee groups could become elites where they present their recommendations without putting arguments for and against or allowing time for discussion.

Each RHC is allowed to hire one full-time housing worker. The housing worker usually convenes meetings and co-ordinates the decision-making structure. Preparation of agenda, typing and distribution of minutes is, however, often the responsibility of co-op members.

The housing worker is usually expected to co-ordinate the implementation of decisions made and to run the office. Co-op members can help with keeping the financial records, answering the phone, chasing up maintenance, liaising with the Ministry, filing and photocopying, paying bills, writing letters and reports and ensuring compliance with legal requirements.

The division of administrative tasks between co-op members and the housing worker should be clearly defined and worked out at the start. For reasons of confidentiality, the assessment and monitoring of rent arrears should be left to the housing worker.

Other jobs exist outside decision-making and administration. Child care has to be organised, participation of tenants encouraged, educative sessions and social events held. The latter are very important for bonding between co-op members.

Always the emphasis should be on sharing the work of the co-operative as much as possible. Everyone should be able to contribute something.

Co-operatives fail where a few are allowed to take control, because the majority take no part in decision-making due to a lack of access, lack of confidence, lack of skills, lack of interest. It's back to a "them" and "us" situation where a few make decisions which are not always in the best interests of the many.

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